

CITY OF LAURENS, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

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City of Laurens, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Peter Hong	Mayor	Jan 2004
Kent Radford	Council Member	Jan 2004
Dennis Anderson	Council Member	Jan 2004
Richard Main	Council Member	Jan 2006
Rod Johnson	Council Member	Jan 2006
Linda Bieri	Council Member	Jan 2006
(After January 2004)		
Peter Hong	Mayor	Jan 2008
Linda Bieri	Council Member	Jan 2006
Rod Johnson	Council Member	Jan 2006
Randy Hopkins	Council Member	Jan 2008
Kent Radford	Council Member	Jan 2008
Brooks Anderson	Council Member	Jan 2008
Eloise Enger	City Clerk	Jan 2006
Ann Beneke	Attorney	Jan 2005

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Laurens, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Laurens' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Laurens, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Laurens, Iowa as of June 30, 2004 and the changes in cash basis financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Laurens, Iowa as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in note 10, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our reports dated November 9, 2004 on our consideration of the City of Laurens’ internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 22 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Laurens’ primary government’s basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on this financial statement. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CORNWELL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 9, 2004

**CITY OF LAURENS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

This discussion and analysis is intended to be an easily readable analysis of the City of Laurens' financial activities for the fiscal year ended June 30, 2004.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

Basis of Accounting

The City has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis of accounting, revenues and expenses are recorded when they result from the cash transactions. As a result of the use of cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased by approximately \$18,532, from fiscal 2003 to fiscal 2004. Property tax increased approximately \$3,203.
- Disbursements decreased by \$102,732, in fiscal 2004 from fiscal 2003. Public safety, culture and recreation, general government, debt service and Capital projects decreased by \$32,664, \$44,464, \$27,957, \$6,030 and \$6,155 respectively. Public works increased by \$14,727.
- The City's total cash basis net assets increased 1.81 %, or approximately \$28,643, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased approximately \$52,133, and the assets of the business type activities decreased by approximately \$23,490.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursement and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund.

Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's cash balance for governmental activities increased by \$52,133. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2004	2003
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 240,686	229,522
General receipts:		
Property tax	344,293	341,090
Tax increment financing collections	---	198
Other city tax	16,041	62,920
Licenses and permits	2,280	2,747
Use of money and property	57,717	60,408
Intergovernmental	309,472	247,411
Special assessments	9,985	12,416
Miscellaneous	27,675	69,969
Total receipts and transfers	<u>1,008,149</u>	<u>1,026,681</u>
Disbursements:		
Operating:		
Public safety	213,452	246,116
Public works	311,777	297,050
Culture and recreation	180,416	224,880
Community and economic development	13	202
General government	71,999	99,956
Debt service	152,072	158,102
Capital projects	29,287	35,442
Total disbursements	<u>959,016</u>	<u>1,061,748</u>

The City's total governmental fund receipts decreased by \$18,532. The total cost of all programs and services decreased by \$102,732.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2004	2003
Operating receipts:		
Charges for services:		
Water	\$ 205,412	193,159
Sewer	99,921	102,136
Miscellaneous	3,957	6,987
Total receipts	<u>309,290</u>	<u>302,282</u>
Disbursements and transfers:		
Water	242,773	223,474
Sewer	86,417	65,191
Other	590	---
Transfers	<u>3,000</u>	<u>6,000</u>
Total disbursements	<u>332,780</u>	<u>294,665</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

- The General Fund cash balance increased \$44,932 from the prior year to \$396,584.
- The Special Revenue accounts decreased by \$111,387. The local option sales tax money received was transferred to the General Fund and 20% was transferred to Debt Service.
- In summary the total current government increased by \$52,115.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water and Sewer Fund balances decreased by \$23,490. The Water Utility had two projects replacing the water main and the shut off of valves to the properties on the new water main.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once, increasing disbursements by \$98,955.

DEBT ADMINISTRATION

Outstanding Debt at Year-End		
	June 30,	
	2004	2003
General obligation bonds	\$ 835,000	945,000
	=====	=====

ECONOMIC FACTORS

Legislative changes passed last year and this year after the adoption of the fiscal year 2003-2004 will negatively impact the city's budget. Property tax credit reimbursements and machinery and equipment reimbursements continue to be funded at less than 100%. The state consolidated payment was eliminated completely last year. Bank franchise fee revenue has been eliminated completely beginning in the fiscal year 2004-2005.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Eloise C. Enger, City Clerk, 272 N. Third Street, P.O. Box 148, Laurens, Iowa 50554 or telephone 712-841-4526.

Basic Financial Statements

City of Laurens, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2004

		Program Receipts		
		Charges for	Operating Grants, Contributions and Restricted	Capital Grants, Contributions and Restricted
	<u>Disbursements</u>	<u>Service</u>	<u>Interest</u>	<u>Interest</u>
Functions/Programs:				
Governmental activities:				
Public safety	\$ 213,452	58,371	4,483	-
Public works	311,777	174,892	158,095	-
Culture and recreation	180,416	21,261	71,601	-
Community and economic development	13	-	-	-
General government	71,999	2,280	-	-
Debt service	152,072	9,985	-	-
Capital projects	29,287	-	19,627	-
Total governmental activities	<u>959,016</u>	<u>266,789</u>	<u>253,806</u>	<u>-</u>
Business type activities:				
Water	242,773	205,412	-	-
Sewer	86,417	99,921	3,957	-
Other nonmajor	590	-	-	-
Total business type activities	<u>329,780</u>	<u>305,333</u>	<u>3,957</u>	<u>-</u>
Total	<u>\$ 1,288,796</u>	<u>572,122</u>	<u>257,763</u>	<u>-</u>

General Receipts:

Property tax levied for:
 General purposes
 Debt service
Local option sales tax
Unrestricted interest on investments
Miscellaneous
Transfers
Total general receipts and transfers
Change in cash basis net assets
Cash basis net assets beginning of year
Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Streets
 Debt service
 Other purposes
Unrestricted
Total cash basis net assets

See notes to financial statements

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(150,598)	-	(150,598)
21,210	-	21,210
(87,554)	-	(87,554)
(13)	-	(13)
(69,719)	-	(69,719)
(142,087)	-	(142,087)
(9,660)	-	(9,660)
<u>(438,421)</u>	<u>-</u>	<u>(438,421)</u>
-	(37,361)	(37,361)
-	17,461	17,461
-	(590)	(590)
-	(20,490)	(20,490)
<u>(438,421)</u>	<u>(20,490)</u>	<u>(458,911)</u>
231,046	-	231,046
123,339	-	123,339
59,862	-	59,862
27,997	-	27,997
45,310	-	45,310
3,000	(3,000)	-
<u>490,554</u>	<u>(3,000)</u>	<u>487,554</u>
52,133	(23,490)	28,643
991,348	590,893	1,582,241
<u>\$ 1,043,481</u>	<u>567,403</u>	<u>1,610,884</u>
\$ 109,322	-	109,322
14,974	-	14,974
118,617	-	118,617
800,568	567,403	1,367,971
<u>\$ 1,043,481</u>	<u>567,403</u>	<u>1,610,884</u>

City of Laurens, Iowa
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2004

	<u>General</u>	<u>Special Revenue</u> Road Use Tax
Receipts:		
Property tax	\$ 187,741	-
Other city tax	11,445	-
Licenses and permits	2,280	-
Use of money and property	57,717	-
Intergovernmental	101,852	122,932
Charges for service	240,686	-
Special assessments	-	-
Miscellaneous	27,250	-
Total receipts	<u>628,971</u>	<u>122,932</u>
Disbursements:		
Operating:		
Public safety	196,037	-
Public works	157,835	150,204
Culture and recreation	169,452	-
Community and economic development	13	-
General government	67,902	-
Debt service	-	-
Capital projects	-	-
Total disbursements	<u>591,239</u>	<u>150,204</u>
Excess (deficiency) of receipts over (under) disbursements	<u>37,732</u>	<u>(27,272)</u>
Other financing sources (uses):		
Operating transfers in	38,200	-
Operating transfers out	(31,000)	(15,000)
Total other financing sources (uses)	<u>7,200</u>	<u>(15,000)</u>
Net change in cash balances	44,932	(42,272)
Cash balances beginning of year	<u>351,652</u>	<u>151,594</u>
Cash balances end of year	<u>\$ 396,584</u>	<u>109,322</u>
Cash Basis Fund Balances		
Reserved:		
Debt service	\$ -	-
Building fund	25,000	-
Unreserved:		
General fund	371,584	-
Special revenue funds	-	109,322
Capital projects funds	-	-
Permanent funds	-	-
Total cash basis fund balances	<u>\$ 396,584</u>	<u>109,322</u>

See notes to financial statements.

Exhibit B

Debt Service	Other Nonmajor Governmental Funds	Total
119,824	36,728	344,293
3,515	1,081	16,041
-	-	2,280
-	-	57,717
-	84,688	309,472
-	-	240,686
9,985	-	9,985
-	425	27,675
<u>133,324</u>	<u>122,922</u>	<u>1,008,149</u>
-	17,415	213,452
-	3,738	311,777
-	10,964	180,416
-	-	13
-	4,097	71,999
152,072	-	152,072
-	29,287	29,287
<u>152,072</u>	<u>65,501</u>	<u>959,016</u>
<u>(18,748)</u>	<u>57,421</u>	<u>49,133</u>
30,412	116,185	184,797
-	(135,797)	(181,797)
<u>30,412</u>	<u>(19,612)</u>	<u>3,000</u>
11,664	37,809	52,133
3,310	484,792	991,348
<u>14,974</u>	<u>522,601</u>	<u>1,043,481</u>
14,974	-	14,974
-	-	25,000
-	-	371,584
-	55,529	164,851
-	403,984	403,984
-	63,088	63,088
<u>14,974</u>	<u>522,601</u>	<u>1,043,481</u>

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Meter Deposit</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 205,412	99,921	-	305,333
Miscellaneous	-	3,957	-	3,957
Total operating receipts	<u>205,412</u>	<u>103,878</u>	<u>-</u>	<u>309,290</u>
Operating disbursements:				
Business type activities	<u>242,773</u>	<u>86,417</u>	<u>590</u>	<u>329,780</u>
Total operating disbursements	<u>242,773</u>	<u>86,417</u>	<u>590</u>	<u>329,780</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(37,361)	17,461	(590)	(20,490)
Operating transfers out	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
Net change in cash balances	(37,361)	14,461	(590)	(23,490)
Cash balances beginning of year	<u>429,928</u>	<u>152,993</u>	<u>7,972</u>	<u>590,893</u>
Cash balances end of year	<u>\$ 392,567</u>	<u>167,454</u>	<u>7,382</u>	<u>567,403</u>
Cash Basis Fund Balances				
Reserved for improvements	\$ 223,120	131,047	-	354,167
Unreserved	<u>169,447</u>	<u>36,407</u>	<u>7,382</u>	<u>213,236</u>
Total cash basis fund balances	<u>\$ 392,567</u>	<u>167,454</u>	<u>7,382</u>	<u>567,403</u>

See notes to financial statements.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Laurens, Iowa is a political subdivision of the State of Iowa located in Pocahontas County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Laurens, Iowa has included only the Primary Government of the City of Laurens, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Pocahontas County Assessor's Conference Board and Pocahontas County Solid Waste Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2004

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

City of Laurens, Iowa
Notes to Financial Statements

June 30, 2004

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Laurens maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2004

(2) Cash

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2004. During the year ended June 30, 2004, the City invested its excess funds in a savings account and certificates of deposit.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending <u>June 30,</u>	General Obligation Notes	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 110,000	37,727
2006	115,000	33,253
2007	120,000	28,402
2008	125,000	23,170
2009	130,000	17,560
2010	75,000	11,520
2011	80,000	7,920
2012	<u>80,000</u>	<u>4,000</u>
Total	\$ 835,000	\$ 163,552
	=====	=====

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2004

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$21,123, \$20,690 and \$19,377, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation pay payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 11,000 =====

This liability has been computed based on rates of pay in effect June 30, 2004.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2004

(6) Risk Management

The City of Laurens, Iowa is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ <u>38,200</u>
Special Revenue:	Special Revenue:	
Laurens Sports Complex	Local Option Sales Tax	<u>70,185</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	27,412
	Enterprise:	
	Sewer	<u>3,000</u>
		<u>30,412</u>
Capital Projects:	General	
Capital Equipment		31,000
	Special Revenue:	
	Road Use Tax	<u>15,000</u>
		<u>46,000</u>
Total		\$ 184,797 =====

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

City of Laurens, Iowa

Notes to Financial Statements

June 30, 2004

(8) Deficit Fund Balance

The Capital Projects – Recycling grant had a deficit balance of \$9,660 at June 30, 2004. The deficit balance is the City's match for this grant. The council is considering how to eliminate this deficit.

(9) Capital Lease

The City entered into a lease purchase agreement for \$66,229 to purchase a garbage truck. Total payments made for the year ended June 30, 2004 were \$11,246. Payments are due as follows:

Year Ending June 30,	<u>Lease Purchase Agreement</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 8,263	2,983
2006	8,789	2,458
2007	9,348	1,899
2008	9,942	1,305
2009	<u>10,574</u>	<u>672</u>
Total	<u>46,916</u>	<u>9,317</u>

(10) Accounting Change and Restatements

Governmental Accounting Standards Board No. 34, Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Required Supplementary Information

City of Laurens, Iowa

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 344,293	-
Other city tax	16,041	-
Licenses and permits	2,280	-
Use of money and property	57,717	-
Intergovernmental	309,472	-
Charges for service	240,686	305,333
Special assessments	9,985	-
Miscellaneous	27,675	3,957
Total receipts	<u>1,008,149</u>	<u>309,290</u>
Disbursements:		
Public safety	213,452	-
Public works	311,777	-
Culture and recreation	180,416	-
Community and economic development	13	-
General government	71,999	-
Debt service	152,072	-
Capital projects	29,287	-
Business type activities	-	329,780
Total disbursements	<u>959,016</u>	<u>329,780</u>
Excess (deficiency) of receipts over (under) disbursements	49,133	(20,490)
Other financing sources, net	<u>3,000</u>	<u>(3,000)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	52,133	(23,490)
Balances beginning of year	<u>991,348</u>	<u>590,893</u>
Balances end of year	<u>\$ 1,043,481</u>	<u>567,403</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
344,293	342,551	342,551	1,742
16,041	55,794	55,794	(39,753)
2,280	2,345	2,345	(65)
57,717	61,510	48,510	9,207
309,472	254,968	249,013	60,459
546,019	501,950	516,250	29,769
9,985	7,795	7,795	2,190
31,632	31,850	31,850	(218)
<u>1,317,439</u>	<u>1,258,763</u>	<u>1,254,108</u>	<u>63,331</u>
213,452	216,202	230,613	17,161
311,777	287,406	364,544	52,767
180,416	211,596	197,982	17,566
13	1,190	1,190	1,177
71,999	115,815	92,738	20,739
152,072	152,058	152,058	(14)
29,287	-	10,000	(19,287)
329,780	436,052	470,149	140,369
<u>1,288,796</u>	<u>1,420,319</u>	<u>1,519,274</u>	<u>230,478</u>
28,643	(161,556)	(265,166)	293,809
<u>-</u>	<u>-</u>	<u>19,575</u>	<u>(19,575)</u>
28,643	(161,556)	(245,591)	274,234
<u>1,582,241</u>	<u>1,540,291</u>	<u>1,540,291</u>	<u>41,950</u>
<u><u>1,610,884</u></u>	<u><u>1,378,735</u></u>	<u><u>1,294,700</u></u>	<u><u>316,184</u></u>

City of Laurens, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$98,955. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

Other Supplementary Information

City of Laurens, Iowa

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	<u>Special</u>		
	<u>Police Special</u>	<u>Employee Benefits</u>	<u>Housing Incentive</u>
Receipts:			
Property tax	\$ -	36,728	-
Other city tax	-	1,081	-
Intergovernmental	2,200	-	-
Miscellaneous	25	-	-
Total receipts	<u>2,225</u>	<u>37,809</u>	<u>-</u>
Disbursements:			
Operating:			
Public safety	-	17,415	-
Public works	-	3,738	-
Culture and recreation	-	7,964	-
General government	2,126	1,971	-
Capital projects	-	-	-
Total disbursements	<u>2,126</u>	<u>31,088</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>99</u>	<u>6,721</u>	<u>-</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	99	6,721	-
Cash balances beginning of year	175	6,726	3,905
Cash balances end of year	<u>\$ 274</u>	<u>13,447</u>	<u>3,905</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 274	13,447	3,905
Capital project funds	-	-	-
Permanent funds	-	-	-
Total cash basis fund balances	<u>\$ 274</u>	<u>13,447</u>	<u>3,905</u>

See accompanying independent auditor's report.

City of Laurens, Iowa

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Capital Projects		
	Downtown <u>Project</u>	Capital <u>Equipment</u>	Recycling <u>Grant</u>
Receipts:			
Property tax	\$ -	-	-
Other city tax	-	-	-
Intergovernmental	-	-	19,627
Miscellaneous	-	-	-
Total receipts	-	-	19,627
Disbursements:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
General government	-	-	-
Capital projects	-	-	29,287
Total disbursements	-	-	29,287
Excess (deficiency) of receipts over (under) disbursements	-	-	(9,660)
Other financing sources (uses):			
Operating transfers in	-	46,000	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	46,000	-
Net change in cash balances	-	46,000	(9,660)
Cash balances beginning of year	11,324	356,320	-
Cash balances end of year	<u>\$ 11,324</u>	<u>402,320</u>	<u>(9,660)</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ -	-	-
Capital project funds	11,324	402,320	(9,660)
Permanent funds	-	-	-
Total cash basis fund balances	<u>\$ 11,324</u>	<u>402,320</u>	<u>(9,660)</u>

See accompanying independent auditor's report.

Schedule 1

Revenue

<u>Local Option Sales Tax</u>	<u>TIF</u>	<u>Historical Grant</u>	<u>Unemployment</u>	<u>Laurens Sports Complex</u>
-	-	-	-	-
-	-	-	-	-
59,861	-	3,000	-	-
-	-	-	-	-
<u>59,861</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	3,000	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
<u>59,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	70,185
<u>(135,797)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(135,797)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,185</u>
(75,936)	-	-	-	70,185
86,827	20,877	-	6,135	(70,185)
<u>10,891</u>	<u>20,877</u>	<u>-</u>	<u>6,135</u>	<u>-</u>
10,891	20,877	-	6,135	-
-	-	-	-	-
-	-	-	-	-
<u>10,891</u>	<u>20,877</u>	<u>-</u>	<u>6,135</u>	<u>-</u>

(continued)

Schedule 1

Permanent		
Cemetery		
Perpetual	Library	
<u>Care</u>	<u>Trust</u>	<u>Total</u>
-	-	36,728
-	-	1,081
-	-	84,688
400	-	425
400	-	122,922
-	-	17,415
-	-	3,738
-	-	10,964
-	-	4,097
-	-	29,287
-	-	65,501
400	-	57,421
-	-	116,185
-	-	(135,797)
-	-	(19,612)
400	-	37,809
54,823	7,865	484,792
55,223	7,865	522,601
-	-	55,529
-	-	403,984
55,223	7,865	63,088
55,223	7,865	522,601

City of Laurens, Iowa
Schedule of Indebtedness
Year ended June 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Essential corporate purpose:			
Water well improvements	Mar 1, 1999	4.10-4.70%	\$ 490,000
Street improvements	Mar 1, 2002	3.00-5.00%	675,000
Total			
Capital lease:			
Equipment purchase	May 28, 2002	6.35%	\$ 66,229

See accompanying independent auditor's report.

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
320,000	-	50,000	270,000	14,558	-
<u>625,000</u>	<u>-</u>	<u>60,000</u>	<u>565,000</u>	<u>27,515</u>	<u>-</u>
<u>\$ 945,000</u>	<u>-</u>	<u>110,000</u>	<u>835,000</u>	<u>42,073</u>	<u>-</u>
<u>\$ 54,685</u>	<u>-</u>	<u>7,769</u>	<u>46,916</u>	<u>3,477</u>	<u>-</u>

Note Maturities

June 30, 2004

Year Ending <u>June 30,</u>	<u>General Obligation Notes</u>	
	<u>Water Well Number 4</u>	
	<u>Issued March 1, 1999</u>	
	Interest	
	<u>Rates</u>	<u>Amount</u>
2005	4.45 %	\$ 50,000
2006	4.50	50,000
2007	4.55	55,000
2008	4.60	55,000
2009	4.70	60,000
2010		-
2011		-
2012		-
Total		<u>\$ 270,000</u>

Year Ending June 30,	General Obligation Notes			Total
	Street Improvements			
	Issued March 1, 2002			
	Interest			
	<u>Rates</u>		<u>Amount</u>	
2005	3.75 %	\$	60,000	110,000
2006	4.00		65,000	115,000
2007	4.20		65,000	120,000
2008	4.40		70,000	125,000
2009	4.60		70,000	130,000
2010	4.80		75,000	75,000
2011	4.90		80,000	80,000
2012	5.00		80,000	80,000
Total		\$	565,000	835,000

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Two Years

	<u>2004</u>	<u>2003</u>
Receipts:		
Property tax	\$ 344,293	341,090
Tax increment financing collections	-	198
Other city tax	16,041	62,920
Licenses and permits	2,280	2,747
Use of money and property	57,717	60,408
Intergovernmental	309,472	247,411
Charges for service	240,686	229,522
Special assessments	9,985	12,416
Miscellaneous	<u>27,675</u>	<u>69,969</u>
Total	<u>\$ 1,008,149</u>	<u>1,026,681</u>
Disbursements:		
Operating		
Public safety	\$ 213,452	246,116
Public works	311,777	297,050
Culture and recreation	180,416	224,880
Community and economic development	13	202
General government	71,999	99,956
Debt service	152,072	158,102
Capital projects	<u>29,287</u>	<u>35,442</u>
Total	<u>\$ 959,016</u>	<u>1,061,748</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Laurens, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 9, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Laurens' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes. Prior year statutory comments have been resolved, except for items II-B-04 and II-I-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Laurens' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City of Laurens' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Laurens and other parties to whom the City of Laurens may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Laurens during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CORNWELL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 9, 2004

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one employee handles almost all of the financial data.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. Therefore, we recommend the Council maintain its diligence in the review of the financial records.

Response and Corrective Action Planned - We will continue our review.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the Debt Service and Capital Projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2004

Response – The budget will be amended in the future in sufficient amounts, if applicable.

Conclusion – Response accepted.

- II-C-04 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-E-04 Business Transactions - No business transactions between the City and City officials or employees were noted.
- II-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.
- II-G-04 Council Minutes – No transactions were found that we believe should have been approved in the minutes but were not.
- II-H-04 Deposits and Investments - No instances of non-compliance with the deposit and investments provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Laurens, Iowa

Schedule of Findings

Year ended June 30, 2004

II-I-04 Financial Condition - The Capital Projects – Recycling Grant Account had a deficit fund balance of \$9,660 at June 30, 2004.

Recommendation - The City should review this deficit.

Response – We will review our options to eliminate this deficit.

Conclusion - Response accepted.

II-J-04 TIF Balance – There is a balance of \$20,877 in the TIF Account, Special Revenue Fund at June 30, 2004.

Recommendation – The City Clerk should investigate to see if there is an excess balance being accumulated.

Response – The TIF account balance is designated for water and sewer improvements east of “E” Street, which is designated TIF District.

Conclusion – Response accepted.